

Out of the Ordinary®

 **Investec**

Specialist Bank and
Asset Manager

Investec Bank Limited (a subsidiary of Investec Limited)

Unaudited condensed consolidated financial information for the year ended 31 March 2015

IFRS - Rand





Overview of results

Unaudited

| Year to 31 March | 2015 | 2014 | % change |
|---|---------|---------|----------|
| Total operating income before impairment losses on loans and advances (R'million) | 8,946 | 7,216 | 24.0% |
| Operating costs (R'million) | 4,818 | 4,113 | 17.1% |
| Profit before taxation (R'million) | 3,673 | 2,465 | 49.0% |
| Headline earnings attributable to ordinary shareholders (R'million) | 3,014 | 2,086 | 44.5% |
| Cost to income ratio | 53.9% | 57.0% | |
| Total capital resources (including subordinated liabilities) (R'million) | 39,348 | 36,099 | 9.0% |
| Total equity (R'million) | 28,899 | 25,601 | 12.9% |
| Total assets (R'million) | 332,706 | 303,218 | 9.7% |
| Net core loans and advances (R'million) | 177,528 | 151,384 | 17.3% |
| Customer accounts (deposits) (R'million) | 221,377 | 204,903 | 8.0% |
| Cash and near cash balances (R'million) | 88,691 | 84,476 | 5.0% |
| Common equity tier 1 ratio | 11.0% | 10.3% | |
| Tier 1 ratio | 11.4% | 10.8% | |
| Total capital adequacy ratio | 15.4% | 15.3% | |
| Leverage ratio | 8.3% | 7.9% | |
| Leverage ratio - "fully loaded" | 8.0% | 7.5% | |
| Defaults (net of impairments) as a % of net core loans and advances | 1.46% | 1.50% | |
| Net defaults (after collateral and impairments) as a % of net core loans and advances | - | - | |
| Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances) | 0.29% | 0.44% | |
| Total gearing ratio (i.e. total assets excluding intergroup loans to equity) | 11.4x | 11.8x | |
| Loans and advances to customers: customer deposits | 78.1% | 72.5% | |



Consolidated income statement

Unaudited

| For the year to 31 March R'million | 2015 | 2014 |
|--|--------------|--------------|
| Interest income | 19,587 | 17,063 |
| Interest expense | (14,066) | (12,147) |
| Net interest income | 5,521 | 4,916 |
| Fee and commission income | 1,661 | 1,567 |
| Fee and commission expense | (207) | (174) |
| Investment income | 1,420 | 334 |
| Trading income arising from | | |
| - customer flow | 290 | 343 |
| - balance sheet management and other trading activities | 260 | 235 |
| Other operating income/(loss) | 1 | (5) |
| Total operating income before impairment losses on loans and advances | 8,946 | 7,216 |
| Impairment losses on loans and advances | (455) | (638) |
| Operating income | 8,491 | 6,578 |
| Operating costs | (4,818) | (4,113) |
| Profit before taxation | 3,673 | 2,465 |
| Taxation | (545) | (315) |
| Profit after taxation | 3,128 | 2,150 |

Consolidated statement of comprehensive income

Unaudited

| For the year to 31 March R'million | 2015 | 2014 |
|---|--------------|--------------|
| Profit after taxation | 3,128 | 2,150 |
| Other comprehensive income: | | |
| Items that may be reclassified to the income statement | | |
| Fair value movements on cash flow hedges taken directly to other comprehensive income* | (619) | (75) |
| Fair value movements on available-for-sale assets taken directly to other comprehensive income* | 322 | (212) |
| Gain on realisation of available-for-sale assets recycled through the income statement* | - | (2) |
| Foreign currency adjustments on translating foreign operations | 602 | 414 |
| Total comprehensive income | 3,433 | 2,275 |
| Total comprehensive income attributable to ordinary shareholders | 3,319 | 2,167 |
| Total comprehensive income attributable to perpetual preference shareholders | 114 | 108 |
| Total comprehensive income | 3,433 | 2,275 |

*Net of taxation of R101.6 million (2014:R120.0 million)

Calculation of headline earnings

Unaudited

| For the year to 31 March R'million | 2015 | 2014 |
|--|--------------|--------------|
| Profit after taxation | 3,128 | 2,150 |
| Preference dividends paid | (114) | (108) |
| Earnings attributable to ordinary shareholders | 3,014 | 2,042 |
| Headline adjustments, net of taxation | - | 44 |
| Revaluation of investment properties^ | - | 46 |
| Gain on realisation of available-for-sale assets recycled through the income statement | - | (2) |
| Headline earnings attributable to ordinary shareholders | 3,014 | 2,086 |

^Net of taxation of Rnil (2014: R18.2 million)



Consolidated balance sheet

Unaudited

| At 31 March R'million | 2015 | 2014 |
|--|----------------|----------------|
| Assets | | |
| Cash and balances at central banks | 6,261 | 5,927 |
| Loans and advances to banks | 33,422 | 32,672 |
| Non-sovereign and non-bank cash placements | 10,540 | 9,045 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 10,095 | 6,442 |
| Sovereign debt securities | 31,378 | 34,815 |
| Bank debt securities | 17,332 | 21,538 |
| Other debt securities | 12,749 | 11,933 |
| Derivative financial instruments | 15,178 | 12,299 |
| Securities arising from trading activities | 1,289 | 1,316 |
| Investment portfolio | 9,972 | 8,834 |
| Loans and advances to customers | 172,993 | 148,562 |
| Own originated loans and advances to customers securitised | 4,535 | 2,822 |
| Other loans and advances | 472 | 552 |
| Other securitised assets | 618 | 1,503 |
| Interest in associated undertakings | 60 | 52 |
| Deferred taxation assets | 88 | 75 |
| Other assets | 1,262 | 1,771 |
| Property and equipment | 192 | 219 |
| Investment properties | 80 | 84 |
| Intangible assets | 190 | 102 |
| Loans to group companies | 3,268 | 1,924 |
| Non-current assets classified as held for sale | 732 | 731 |
| | 332,706 | 303,218 |
| Liabilities | | |
| Deposits by banks | 29,792 | 22,407 |
| Derivative financial instruments | 12,401 | 9,259 |
| Other trading liabilities | 1,623 | 1,431 |
| Repurchase agreements and cash collateral on securities lent | 16,556 | 17,686 |
| Customer accounts (deposits) | 221,377 | 204,903 |
| Debt securities in issue | 5,517 | 5,366 |
| Liabilities arising on securitisation of own originated loans and advances | 1,089 | 1,369 |
| Liabilities arising on securitisation of other assets | - | 156 |
| Current taxation liabilities | 1,186 | 1,288 |
| Deferred taxation liabilities | 76 | 61 |
| Other liabilities | 3,741 | 3,193 |
| | 293,358 | 267,119 |
| Subordinated liabilities | 10,449 | 10,498 |
| | 303,807 | 277,617 |
| Equity | | |
| Ordinary share capital | 32 | 32 |
| Share premium | 14,885 | 14,885 |
| Other reserves | 764 | 364 |
| Retained income | 13,218 | 10,320 |
| Total equity | 28,899 | 25,601 |
| Total liabilities and equity | 332,706 | 303,218 |



Condensed consolidated statement of changes in equity

Unaudited

For the year to 31 March

R'million

| | 2015 | 2014 |
|---|---------------|---------------|
| Balance at the beginning of the year | 25,601 | 23,509 |
| Total comprehensive income | 3,433 | 2,275 |
| Dividends paid to ordinary shareholders | (21) | (75) |
| Dividends paid to perpetual preference shareholders | (114) | (108) |
| Balance at the end of the year | 28,899 | 25,601 |



Additional income statement note disclosures

Unaudited

Net interest income

| For the year to 31 March R'million | Notes | 2015 | | 2014 | |
|---|-------|------------------------|-----------------|------------------------|-----------------|
| | | Balance sheet value | Interest income | Balance sheet value | Interest income |
| Cash, near cash and bank debt and sovereign debt securities | 1 | 109,028 | 4,768 | 110,439 | 4,617 |
| Core loans and advances | 2 | 177,528 | 14,091 | 151,384 | 11,775 |
| Private client | | 116,382 | 9,071 | 93,720 | 7,456 |
| Corporate, institutional and other clients | | 61,146 | 5,020 | 57,664 | 4,319 |
| Other debt securities and other loans and advances | | 13,221 | 411 | 12,485 | 504 |
| Other interest-earning assets | 3 | 3,886 | 317 | 3,427 | 167 |
| Total interest-earning assets | | 303,663 | 19,587 | 277,735 | 17,063 |

| For the year to 31 March R'million | | 2015 | | 2014 | |
|---|---|------------------------|------------------|------------------------|------------------|
| | | Balance sheet value | Interest expense | Balance sheet value | Interest expense |
| Deposits by banks and other debt-related securities | 4 | 51,865 | (642) | 45,459 | (825) |
| Customer accounts (deposits) | | 221,377 | (12,613) | 204,903 | (10,313) |
| Other interest-bearing liabilities | 5 | 1,089 | (35) | 1,525 | (308) |
| Subordinated liabilities | | 10,449 | (776) | 10,498 | (701) |
| Total interest-bearing liabilities | | 284,780 | (14,066) | 262,385 | (12,147) |

Net interest income

5,521

4,916

Notes:

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised asset; loans to group companies.
4. Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5. Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.

Net fee and commission income

| For the year to 31 March R'million | 2015 | 2014 |
|---|--------------|--------------|
| Corporate and institutional transactional and advisory services | 1,076 | 1,123 |
| Private client transactional fees | 585 | 444 |
| Fee and commission income | 1,661 | 1,567 |
| Fee and commission expense | (207) | (174) |
| Net fee and commission income | 1,454 | 1,393 |
| Annuity fees (net of fees payable) | 772 | 622 |
| Deal fees | 682 | 771 |

Investment income

| For the year to 31 March R'million | Investment portfolio* (listed and unlisted equities) | Other debt securities (sovereign, bank and other) | Investment properties | Other asset categories | Total |
|---------------------------------------|---|--|--------------------------|---------------------------|--------------|
| 2015 | | | | | |
| Realised | 669 | 68 | - | 34 | 771 |
| Unrealised | 394 | (8) | - | 6 | 392 |
| Dividend income | 511 | - | - | - | 511 |
| Funding and other net related costs | (253) | - | - | (1) | (254) |
| | 1,321 | 60 | - | 39 | 1,420 |
| 2014 | | | | | |
| Realised | 216 | - | - | 14 | 230 |
| Unrealised | (240) | (175) | 63 | (6) | (358) |
| Dividend income | 646 | - | - | - | 646 |
| Funding and other net related costs | (181) | - | - | (3) | (184) |
| Investment income | 441 | (175) | 63 | 5 | 334 |

* Including embedded derivatives (warrants and profit shares).



Investec Bank Limited

An analysis of our core loans and advances, asset quality and impairments

Unaudited

| R'mn | 31 March 2015 | 31 March 2014 |
|---|----------------|----------------|
| Loans and advances to customers as per the balance sheet | 172,993 | 148,562 |
| Add: own originated loans and advances securitised as per the balance sheet | 4,535 | 2,822 |
| Net core loans and advances to customers | 177,528 | 151,384 |
| The tables below provides information with respect to the asset quality of our core loans and advances | | |
| R'mn | 31 March 2015 | 31 March 2014 |
| Gross core loans and advances to customers | 178,669 | 152,634 |
| Total impairments | (1,141) | (1,250) |
| Portfolio impairments | (171) | (173) |
| Specific impairments | (970) | (1,077) |
| Net core loans and advances to customers | 177,528 | 151,384 |
| Average gross core loans and advances to customers | 165,652 | 146,047 |
| Current loans and advances to customers | 173,775 | 147,724 |
| Past due loans and advances to customers (1 - 60 days) | 505 | 729 |
| Special mention loans and advances to customers | 660 | 658 |
| Default loans and advances to customers | 3,729 | 3,523 |
| Gross core loans and advances to customers | 178,669 | 152,634 |
| Current loans and advances to customers | 173,775 | 147,724 |
| Default loans that are current and not impaired | 787 | 162 |
| Gross core loans and advances to customers that are past due and not impaired | 1,720 | 2,171 |
| Gross core loans and advances to customers that are impaired | 2,387 | 2,577 |
| Gross core loans and advances to customers | 178,669 | 152,634 |
| Total income statement charge for impairments on core loans and advances | (483) | (638) |
| Gross default loans and advances to customers | 3,729 | 3,523 |
| Specific impairments | (970) | (1,077) |
| Portfolio impairments | (171) | (173) |
| Defaults net of impairments | 2,588 | 2,273 |
| Aggregate collateral and other credit enhancements | 3,717 | 3,549 |
| Net default loans and advances to customers (limited to zero) | - | - |
| Ratios: | | |
| Total impairments as a % of gross core loans and advances to customers | 0.64% | 0.82% |
| Total impairments as a % of gross default loans | 30.60% | 35.48% |
| Gross defaults as a % of gross core loans and advances to customers | 2.09% | 2.31% |
| Defaults (net of impairments) as a % of net core loans and advances to customers | 1.46% | 1.50% |
| Net defaults a % of net core loans and advances to customers | - | - |
| Credit loss ratio (i.e. Income statement impairment charge on core loans as a % of average gross core loans and advances) | 0.29% | 0.44% |



Investec Bank Limited

LCR disclosures

National and supranational regulators have set standards designed to promote resiliency and harmonize liquidity risk supervision, to ensure a strong financial sector within the global economy.

Two key liquidity measures were defined:

Liquidity coverage ratio (LCR)

This ratio is designed to promote short-term resilience of the 1 month liquidity profile, by ensuring that banks have sufficient high quality liquid assets to meet potential outflows in a stressed environment.

Net stable funding ratio (NSFR)

This ratio is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

In terms of South African Reserve Bank Regulations, banks are expected to commence reporting on the LCR in 2015 and the NSFR in 2018.

The values in the table are calculated as the simple average of daily observations over the period 1 January 2015 to 31 March 2015 for Investec Bank Limited (IBL) bank solo. 60 business day observations were used. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of January, February and March 2015 month-end values.

The minimum requirement for the LCR over the quarter, as specified by both the Basel Committee of Banking Supervision and the South African Reserve Bank, is 60%. This applies to both IBL bank solo and Investec Bank Limited consolidated group.

IBL bank solo:

The main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;

- The structure and nature of deposits inside the 30 day window is the key driver of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30 day contractual bucket. In turn these deposit characteristics determine the targeted level of high quality liquid assets (HQLA) required to be held as a counterbalance to the modelled stressed outflows.
- In order to manage the deposit mix in relation to tenor and client type, we establish targets for deposits to be raised by market, channel, product, tenor band and client type designed to limit the weighted outflows falling into the 30 day window.

The composition of HQLA;

- The HQLA comprises primarily of South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo.
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.
- At the end of March the CLF contributed 4% to the HQLA

Investec Bank Limited consolidated group

Our two banks, Investec Bank Limited and Investec Bank (Mauritius) Limited (IBM), contributed over 98% of the group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R3.1 billion are primarily to non-financial corporates, while their stressed inflows of R2.1 billion are largely from banks. IBM bank solo currently has no LCR requirement. There is no restriction on the contribution of IBM's cash inflows to the group.

| R'million | Investec Bank Limited Bank Solo | | Investec Bank Limited consolidated group | |
|---|---------------------------------|----------------------|--|----------------------|
| | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value |
| High quality liquid assets | | | | |
| 1 Total high quality liquid assets | | 41,206 | | 41,318 |
| Cash outflows | | | | |
| 2 Retail deposits and deposits from small business customers, of which | 36,475 | 3,647 | 38,697 | 3,870 |
| 3 Stable deposits | - | - | - | - |
| 4 Less stable deposits | 36,475 | 3,647 | 38,697 | 3,870 |
| 5 Unsecured wholesale funding, of which | 82,237 | 58,181 | 87,566 | 60,622 |
| 6 Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks | - | - | - | - |
| 7 Non-operational deposits (all counterparties) | 81,234 | 57,177 | 85,173 | 58,228 |
| 8 Unsecured debt | 1,004 | 1,004 | 2,394 | 2,394 |
| 9 Secured wholesale funding | | 202 | | 182 |
| 10 Additional requirements, of which | 49,408 | 6,122 | 51,735 | 5,819 |
| 11 Outflows related to derivatives exposures and other collateral requirements | 11,164 | 1,813 | 11,097 | 1,747 |
| 12 Outflows related to loss of funding on debt products | 726 | 726 | 200 | 200 |
| 13 (Undrawn committed) credit and liquidity facilities | 37,518 | 3,582 | 40,437 | 3,872 |
| 14 Other contractual funding obligations | 557 | 557 | 546 | 546 |
| 15 Other contingent funding obligations | 105,972 | 5,487 | 104,734 | 5,439 |
| 16 Total cash outflows | | 74,206 | | 76,477 |
| Cash inflows | | | | |
| 17 Secured lending (eg reverse repos) | 1,193 | 139 | 1,193 | 139 |
| 18 Inflows from fully performing exposures | 33,163 | 30,179 | 35,171 | 31,281 |
| 19 Other cash inflows | 2,486 | 2,486 | 4,068 | 2,549 |
| 20 Total cash inflows | 36,842 | 32,804 | 40,432 | 33,970 |
| 21 Total high quality liquid assets | | 41,206 | | 41,318 |
| 22 Total net cash outflows | | 41,402 | | 42,507 |
| 23 Liquidity coverage ratio (%) | | 100.3 | | 98.7 |



Capital structure and capital adequacy

Unaudited

| At 31 March R'million | 2015 | 2014 |
|---|----------------|----------------|
| Tier 1 capital | | |
| Shareholders' equity | 27,363 | 24,067 |
| Shareholders' equity per balance sheet | 28,897 | 25,601 |
| Perpetual preference share capital and share premium | (1,534) | (1,534) |
| Regulatory adjustments to the accounting basis | 1,141 | 522 |
| Cash flow hedging reserve | 1,141 | 522 |
| Deductions | (190) | (102) |
| Goodwill and intangible assets net of deferred tax | (190) | (102) |
| Common equity tier 1 capital | 28,314 | 24,487 |
| Additional tier 1 capital before deductions | 1,074 | 1,227 |
| Additional tier 1 instruments | 1,534 | 1,534 |
| Phase out of non-qualifying additional tier 1 instruments | (460) | (307) |
| Total tier 1 capital | 29,388 | 25,714 |
| Tier 2 capital | | |
| Total qualifying tier 2 capital before deductions | 10,319 | 10,670 |
| Collective impairment allowances | 169 | 172 |
| Tier 2 instruments | 10,449 | 10,498 |
| Phase out of non-qualifying tier 2 instruments | (299) | - |
| Total tier 2 capital | 10,319 | 10,670 |
| Total regulatory capital | 39,707 | 36,384 |
| Risk-weighted assets | 257,931 | 238,396 |
| Capital ratios | | |
| Common equity tier 1 ratio | 11.0% | 10.3% |
| Tier 1 ratio | 11.4% | 10.8% |
| Total capital adequacy ratio | 15.4% | 15.3% |
| Leverage ratio | 8.3% | 7.9% |
| Leverage ratio - "fully loaded" | 8.0% | 7.5% |
| Capital requirements | 25,794 | 23,840 |
| Credit risk - prescribed standardised exposure classes | 19,073 | 17,611 |
| Corporates | 11,505 | 10,418 |
| Secured on real estate property | 1,923 | 1,601 |
| Short-term claims on institutions and corporates | 3,242 | 2,722 |
| Retail | 549 | 544 |
| Institutions | 872 | 1,064 |
| Other exposure classes | 277 | 176 |
| Securitisation exposures | 705 | 1,086 |
| Equity risk - standardised approach | 4,297 | 3,865 |
| Listed equities | 847 | 757 |
| Unlisted equities | 3,450 | 3,108 |
| Counterparty credit risk | 576 | 550 |
| Credit valuation adjustment risk | 32 | 98 |
| Market risk | 324 | 395 |
| Interest rate | 88 | 117 |
| Foreign exchange | 113 | 98 |
| Commodities | 10 | 5 |
| Equities | 113 | 175 |
| Operational risk - standardised approach | 1,492 | 1,321 |
| Risk-weighted assets | 257,931 | 238,396 |
| Credit risk - prescribed standardised exposure classes | 190,717 | 176,112 |
| Corporates | 115,047 | 104,181 |
| Secured on real estate property | 19,230 | 16,011 |
| Short term claims on institutions and corporates | 32,420 | 27,215 |
| Retail | 5,488 | 5,441 |
| Institutions | 8,717 | 10,644 |
| Other exposure classes | 2,770 | 1,759 |
| Securitisation exposures | 7,045 | 10,861 |
| Equity risk - standardised approach | 42,967 | 38,653 |
| Listed equities | 8,472 | 7,570 |
| Unlisted equities | 34,495 | 31,083 |
| Counterparty credit risk | 5,762 | 5,503 |
| Credit valuation adjustment risk | 324 | 976 |
| Market risk | 3,240 | 3,947 |
| Interest rate | 878 | 1,174 |
| Foreign Exchange | 1,134 | 978 |
| Commodities | 96 | 50 |
| Equities | 1,132 | 1,745 |
| Operational risk - standardised approach | 14,921 | 13,205 |

Out of the Ordinary®

 **Investec**

Specialist Bank and
Asset Manager

The full set of annual financial statements will be available on 30 June 2015

